

WEDNESDAY, FEBRUARY 1, 1989 — THIRD LEGISLATIVE DAY

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IN JOINT CONVENTION

GOVERNOR'S BUDGET ADDRESS

The hour having arrived set by House Joint Resolution No. 4, the Senate met with the House in Joint Convention.

The Joint Convention was called to order by Mr. Speaker Wilder, President of the Joint Convention.

On motion of Senator Darnell, the roll call of the Senate was dispensed with.

On motion of Representative Naifeh, the roll call of the House was dispensed with.

Thereupon, the Clerk of the House read House Joint Resolution No. 4 authorizing the Joint Convention.

Senator Darnell moved that the President appoint a Committee composed of seven (7) members from the Senate and seven (7) members from the House to notify the Governor that the Joint Convention is in session and awaiting his arrival, which motion prevailed.

Mr. President Wilder appointed the following committee: Senators Arnold, Burks, Crutchfield, Hamilton, Lawson, Patten and Womack and Representative Bragg, Clark, Copeland, DeBerry, Hassell, Pruitt and Ridgeway. Representative DeBerry will serve as chair of the Committee.

Without objection, the Joint Convention will be in recess pending the arrival of the Governor.

The Joint Convention was called to order by Mr. President Wilder.

Without objection, the roll calls of the Senate and House were dispensed with.

Representative DeBerry announced the Governor of the State of Tennessee at the entrance to the House.

President Wilder asked the Committee to Escort the Governor to please come forward.

President Wilder introduced the Honorable Ned McWherter, Governor of the State of Tennessee.

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1989 BUDGET MESSAGE
BY GOVERNOR NED MCWHERTER

Governor Wilder. Speaker Murray. Members of the General Assembly. Distinguished members of the Supreme Court. Constitutional Officers. Fellow Tennesseans.

I thank you for your invitation to come and fulfill one of my constitutional responsibilities as Governor. I am here today to report on the finances of state government, and to propose a State Budget to the General Assembly and the people of Tennessee.

I begin by stating that in Tennessee our financial foundation is sound. We do not need to raise taxes to balance our budget. Unlike many states and local governments, our retirement system is well-funded and rated among the best in America. In the financial markets, our state's bond rating is the highest possible.

While the federal debt has continued to climb, we have reduced our debt in the General Fund by \$19 million and in the Highway Fund by \$88 million. While lowering our debt, we have increased the state's Rainy Day Fund by 140 percent from \$52 million to \$125 million.

Most important, we have chosen to exercise discipline in state government by living within our revenue growth instead of raising taxes.

The financial strength we enjoy today in Tennessee did not result from the leadership of any individual Governor or member of this Legislature. It developed slowly over time through a bipartisan commitment in this government to stable, conservative management of the people's money.

In the past ten days, it has been my privilege to participate in the announcement of two major industrial investments in Sullivan and Loudon counties. Together these new investments total more than a third of a billion dollars and represent hundreds of new jobs for Tennesseans.

It is important that the new members of this Legislature understand the relationship between conservative fiscal policy and our recent success in recruiting new industry. I can look across this room and see many of those who over the years have quietly contributed to our current economic growth.

Whether it be the Democratic and Republican leadership, or the Finance committees of the House and Senate, or the Council on Pensions and Retirement, this body time and again has resisted the temptation to spend beyond our means.

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The record number of new jobs we have recruited over the last two years--and those I anticipate to recruit in the future--are the product of your leadership. On behalf of the people of this state, I thank you.

With these comments, I would like to describe, without slogans or rhetoric, the posture in which we find ourselves as we consider our budget priorities for the next fiscal year.

First, I emphasize that we are not in a crisis. While Tennessee's economic conditions appears to be healthy, tax collections in recent months indicate that our growth has slowed.

This economic slowdown will not force us to raise taxes in the General Fund. There will be no need to lay off state employees or cut existing programs. Instead, it will require that we prepare next year's budget with a smaller revenue base than anticipated. In plain language, it means that we cannot afford some of the programs and improvements that all of us would like to have.

As is my custom, I have invited every member of the House and Senate to the Residence to discuss the proposed budget. I will not impose on your time by addressing every item that we have discussed. I would like, however, to focus on some items that I know are of special importance to many of you.

The proposed State Budget is \$7.7 billion. It is based upon a conservative estimate of 4.7 percent growth, a growth rate slightly less than the 5 percent we anticipated this year. This growth would produce \$215 million in new funds.

As we decide how to appropriate these funds, it is important that we divide our priorities clearly into two categories: programs that are desired, and programs that are required.

The Congress has required, in a program they claimed last year to be "revenue neutral", that Tennessee spend an additional \$26 million for catastrophic health care and 5 million additional dollars for Medicaid.

The safety of our communities requires that we add beds to our state prison system. Beginning in May, we will open the first of 1,300 new prison beds coming on line this year to ease the crowding in our local jails. The added cost of these new beds will be more than \$18 million.

The Administration and the Legislature have made a commitment to improve our program for juvenile corrections. These reforms will require nearly \$7 million to implement.

Good management requires that we provide adequate raises to our teachers and state employees. I am proposing that we appropriate a

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\$1,000 increase for teachers and a 4 percent increase for state employees.

In addition to these funds, I also am recommending that our salary package for state employee improve the compensation for several positions that need to be more competitive with the private sector.

I submit to the Legislature that these programs are required either by federal mandate or by our commitment to the public welfare. In addition to these programs, I would like to share briefly my proposals for several areas that over the years have been a priority for this body.

More than half of the proposed budget growth is earmarked for education. The academic formula for higher education is fully funded for the third year in a row.

Salaries for beginning classroom teacher will be within striking distance of our \$18,500 goal. And in keeping with a campaign promise, I am proposing to add \$900,000 to our Academic Scholars Fund to help keep our brightest students in Tennessee.

Our health care program will include \$3.5 million in new dollars to continue our expansion of outpatient clinics in both urban and rural areas. In addition, I am asking that the Legislature approve \$2.5 million to fund one of the Administration's most important initiatives of the 1989 session. If enacted, this legislation would place doctors in every underserved area, both urban and rural, of Tennessee.

The Budget contains \$1.5 million to improve services in mental retardation, and \$617,000 to fund critical shortage positions in our mental health facilities.

The Department of Human Services will receive an improvement of \$1.1 million for foster care and \$850,000 for our family preservation program. An additional \$8.3 million will provide a 6.1 percent increase in AFDC payments.

The Budget contains 16.7 million new dollars for cities and counties, and \$10.7 million in one time funds to improve the automation and efficiency of state government.

Having listened to budget messages for eighteen years, I realize that these numbers can become a blur to most of us. There is one issue, however, to which I would like to give special attention.

Tennessee is in the midst of the largest road building program in our state's history. Already we can see the results of this program in the industries that are coming to areas with new or expanding roads.

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If we want our road program to continue on schedule, it is essential that we raise \$74 million in additional revenues. These revenues will be dedicated to the completion of existing projects.

I have proposed to increase the gasoline tax by three cents to raise these revenues for the state road program. In keeping with our conservative fiscal policy, I believe it is far better to pay as we go than sell bonds and greatly increase our debt.

If I am going to ask the people of Tennessee for revenues to build new and better roads, then I want their money to pay for asphalt and gravel, and not interest to a bank or commissions to a bond firm.

As a former member of this body, I understand that the political process involves discussing all the options available to raise adequate revenues.

I also am aware that our local governments have expressed interest in raising additional revenues for use on city and county roads. If our local governments can make a good case for these revenues, I am prepared to support their legislation.

I will always be available to discuss any reasonable suggestion or recommendation. At the same time, because I am totally convinced that the economic future of Tennessee is in the balance, we cannot in any way compromise our commitment to raise the revenues to continue our state's road program.

I close by recalling that I have participated in the creation and passage of state budgets for twenty years. Over those two decades there have been good years, when money was available and we were able to address dozens of issues. But there also have been lean years, when money was scarce and all of us had to make hard and difficult choices.

Ladies and gentlemen, our children will not measure us by how we respond to the good years. History will define us by whether we were able to make the hard choices needed to secure Tennessee's future.

I know the men and women of this body. And I am totally convinced that together we will meet our obligation to the people of Tennessee.

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Mr. President Wilder relinquished the gavel to Mr. Speaker Murray, as President of the Joint Convention.

Thereupon, the purpose for which the Joint Convention was called having been accomplished, Mr. President Murray declared the Joint Convention dissolved.